



UK MUSIC & VIDEO RETAILERS 2008

Differentiate, Diversify, Download

Reference Code: DMVT0492

Publication Date: 10/08

ABOUT VERDICT RESEARCH

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With more than 20 years experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the Top 300 retailers to hear their views at first hand. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, investment analysts, consultants and the media with strategic planning.

Verdict Research Ltd is a wholly owned subsidiary of Datamonitor Plc. Datamonitor is a premium business information company specialising in industry analysis. It helps over 5,000 of the world's leading companies to address complex strategic issues. Through proprietary databases and wealth of expertise, it provides clients with unbiased expert analysis and in-depth forecasts for seven industry sectors: Automotive, Consumer Markets, Energy, Financial Services, Pharmaceuticals & Healthcare, Technology, and Transport & Logistics. Datamonitor maintains its headquarters in London and has regional offices in New York, San Francisco, Sydney and Frankfurt.

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Datamonitor plc.

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamonitor delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamonitor can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

TABLE OF CONTENTS

CHAPTER 1	EXECUTIVE SUMMARY	14
	Key Findings	14
	Main Conclusions	15
CHAPTER 2	MARKET ANALYSIS	19
	Overview	19
	Music	21
	Video	23
	Music & Video Store-based Specialists Sales	26
	Store-based Specialists Space	29
	Store-based Specialists Density	30
	Specialist Stores	32
	Channels of Distribution	35
	Download Market	38
CHAPTER 3	COMPANY DATA ANALYSIS	41
	Music & Video Market Shares	41
	Music Market Shares	43
	Video Market Shares	44
	Operating Statistics	45
	Space Productivity	45

TABLE OF CONTENTS



Advertising	47
CHAPTER 4 KEY ISSUES	49
Future of Physical Music & Video Stores	49
Internet	49
Consolidation	50
Lack of New Entrants	50
Evolving the Store Format	51
Survival of Independent Specialists	53
Opportunities	53
Pure Non-store Business Models	53
Exploit Online	54
Niche Markets	54
Specialisation	54
Differentiate	55
Diversify	55
Threats	56
Expansion of Specialists and Non-specialists	56
Price Deflation	57
Cost Inflation	58
Consolidation	58
Reduced Need for Physical Stores	59
Intense Competition	59

TABLE OF CONTENTS



Download Market	60
Downloading: Music	60
A la Carte	61
Albums and Bundles	61
Ad-funded Services	61
Subscription Services	62
Downloading: Movies	62
Digital Copy	63
Online Movie Services	64
Downloading: To Mobile Phones	64
Illegal File-sharing	67
Role of Internet Service Providers (ISPs)	68
Commitment from All Parties	68
Benefits of Reducing Illegal File-sharing	69
Consumer Education	69
Yearly Levy to Download and Share Files	70
Digital Rights Management (DRM)	70
DRM and the Music Industry	71
DRM and the Film Industry	71
Interoperability	72
Standardisation Schemes	72
DRM-Free MP3 Format	73

TABLE OF CONTENTS



Social Networking Sites	73
Technology	75
High Definition Television (HD-TV)	76
Blu-ray	76
Mobile Broadband	77
Wireless Environment	77
Video on Demand – VOD	78
Possible New Entrants	78
Diversification is Key	80
Games	81
Merchandise	82
Books	83
Tickets	84
Clothing	84
Boxsets and Promotions	84
EUK	85
CHAPTER 5 OUTLOOK	87
Overview	87
Music Forecast	89
Video Forecast	90
Channels of Distribution Forecast	93

TABLE OF CONTENTS



CHAPTER 6	GROCERS	95
	Company Overviews	95
	Market Shares	96
	Asda	97
	Morrison	98
	Sainsbury	99
	Tesco	101
	Outlooks	102
	Asda	102
	Morrison	103
	Sainsbury	103
	Tesco	104
CHAPTER 7	HMV	106
	Company Overview	106
	Market Shares	107
	Trading Performance	109
	Store Portfolio	110
	Online Operation	112
	Outlook	112
CHAPTER 8	ONLINE MUSIC & VIDEO RETAILERS	114
	Company Overviews	114

TABLE OF CONTENTS



Market Shares	116
Amazon	117
Apple iTunes	119
CD WOW!	120
Play.com	121
Outlooks	123
Amazon	123
Apple/iTunes	124
CD WOW!	124
Play.com	125
CHAPTER 9 WH SMITH	127
Company Overview	127
Market Shares	128
Trading Performance	129
Store Portfolio	130
Outlook	131
CHAPTER 10 WOOLWORTHS	132
Company Overview	132
Market Shares	133
Trading Performance	135
Store Portfolio	136

TABLE OF CONTENTS



Outlook	137
CHAPTER 11 ZAVVI	138
Company Overview	138
Market Shares	140
Trading Performance	141
Issues with EUK	142
Outlook	144
CHAPTER 12 GLOSSARY	146
Financial Statistics – VAT	146
Trading Profile	146
Physical Development	146
Abbreviations	147

LIST OF TABLES

Table 1:	Total music & video market size 1998-2008e	19
Table 2:	Music market size 1998-2008e	21
Table 3:	Video market size 1998-2008e	23
Table 4:	Music & video specialists sales 1998-2008e	26
Table 5:	Average store size for music & video specialists 1998-2008e	34
Table 6:	Music & video channels of distribution 2003 & 2008e	36
Table 7:	Music & video retailers market shares 2003-2008e	42
Table 8:	Music & video retailers music market shares 2003-2008e	43
Table 9:	Music & video retailers video market shares 2003-2008e	44
Table 10:	Leading companies key operating statistics 2007/08	45
Table 11:	Total music & video market size 2003-2013e	87
Table 12:	Total music market size 2003-2013	89
Table 13:	Total video market size 2003-2013	90
Table 14:	Music & video channel shares 2003, 2008e & 2013e	93
Table 15:	Grocer overviews 2008	95
Table 16:	Grocers estimated share of music & video 2008	96
Table 17:	HMV company overview 2008	106
Table 18:	HMV UK & Ireland key operating statistics 2003-2008	107
Table 19:	Online music & video retailers company overviews 2008	114
Table 20:	Online specialists estimated share of music & video 2008	116
Table 21:	WH Smith company overview 2008	127

TABLE OF CONTENTS



Table 22:	WH Smith key operating statistics 2003-2008	128
Table 23:	Woolworths company overview 2008	132
Table 24:	Woolworths key operating statistics 2003-2008	133
Table 25:	Zavvi company overview 2008	138
Table 26:	Zavvi key operating statistics 2003-2008	139

LIST OF FIGURES

Figure 1:	Music & video specialists y-o-y change in space 1998-2008e	29
Figure 2:	Music & video specialists sales densities at current prices 1998-2008e	31
Figure 3:	Music & video specialists store numbers 1998-2008e	32
Figure 4:	Music & video market channels 2008	35
Figure 5:	Music & video download channel 2008	38
Figure 6:	Value of the music & video download market 2008-2013	39
Figure 7:	Leading companies sales density estimates 2007/08	46
Figure 8:	Advertising spend 2007	47
Figure 9:	Advertising spend 2007 % of 2007/08 sales	48
Figure 10:	Factors impacting physical stores	49
Figure 11:	Survival of Independent Specialists	53
Figure 12:	The digital marketplace	60
Figure 13:	Digital marketplace – illegal file-sharing 2009	67
Figure 14:	Digital marketplace – technology 2009	75
Figure 15:	Digital marketplace – diversification 2009	80
Figure 16:	Music and video shares of the market 2003-2013	92
Figure 17:	Music & video channels market share change 2003-2013	93
Figure 18:	Asda music & video shares 1999-2008e	97
Figure 19:	Morrison music & video shares 1999-2008e	98
Figure 20:	Sainsbury music & video shares 1999-2008e	99

TABLE OF CONTENTS



Figure 21: Tesco music & video shares 1999-2008e	101
Figure 22: HMV music & video shares 1999-2008e	108
Figure 23: Amazon music & video shares 1999-2008e	117
Figure 24: Apple music & video shares 1999-2008e	119
Figure 25: CD WOW! music & video shares 1999-2008e	120
Figure 26: Play music & video shares 1999-2008e	121
Figure 27: WH Smith music & video shares 1999-2008e	128
Figure 28: Woolworths music & video shares 1999-2008e	134
Figure 29: Zavvi music & video shares 1999-2008e	140